

ACCOUNTANCY

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PROFESSIONAL NOTES

New Finance Corporations

It has long been recognised that the transition from war to peace economy will give rise to quite exceptional demands for capital, on the part, for instance, of businesses closed down under the concentration of industry programme. To help meet this need, the bank chairmen in their annual statements have foreshadowed, both this year and last, more liberal lending policies after the war, in relation especially to the small trader. In addition, particulars have now been published of two new finance corporations to assist in the finance of reconstruction. The first and more ambitious concern, to be called the Finance Corporation for Industry, will have a share capital of £25,000,000, subscribed in about equal proportions by the insurance companies, the investment trusts, and the Bank of England. It is understood that only a small part—probably 10 per cent.—of this capital will actually be called up. But the new institution will have borrowing powers of no less than £100,000,000 and will thus be able to canalise into long-term industrial investment the resources of the large banks. The primary purpose of this concern will be to provide medium or long-term credit for industrial enterprises with a view to their quick rehabilitation and development. The technique of leaving the equity of the concern in the hands of those sections of the financial community normally concerned with long-term investment, thus enabling

the banks to participate in industrial reconstruction without incurring more than the normal banking risks (which would be quite inappropriate now that their published capital and reserves represent little more than 3 per cent. of deposits), is excellently suited to its purpose.

The second company, the Industrial and Commercial Finance Corporation, is designed to supply medium and long-term capital in moderate amounts of from £5,000 to £200,000, or slightly more than the normal banking advances on long-term to the small trader. It will have a capital of £15,000,000 subscribed by the clearing and Scottish banks themselves (together with a token subscription of £500,000 by the Bank of England) and will have borrowing powers of £30,000,000. In this instance, it is rather less easy to see that any important purpose is served by the establishment of a separate concern, since the banks are to supply both the capital and the borrowed resources of the new concern, which therefore adds up to little more than a book entry. It is emphasised that both concerns will be conducted on commercial lines, even if profit-making will not be their main object; that they are not intended to displace, but only to supplement existing channels of advance; and, finally, that they will have no special privileges whatever in relation, for example, to the Capital Issues Committee.

Capital Issues and the £10,000 Exemption

It appears that a certain amount of misunderstanding was caused by the recent Capital Issues Exemption Order, setting out the conditions on which companies henceforth enjoy the benefit of the £10,000 exemption, and we have received the text of some further explanations issued by the Treasury to clear up any doubts that may exist. The main purport of the explanations is that the position of the majority of companies will be quite unaffected. The position of companies incorporated before December 1, 1944, remains exactly as it was before the new Order was issued, unless and until a notice is received by them from the Treasury withdrawing the benefit of the £10,000 exemption. It will only be withdrawn in cases where there appears to be abuse of the exemption provision, e.g., to facilitate transactions of a wider scope through the formation of groups of small companies. New companies will not enjoy the benefit of the £10,000 exemption, until they receive notification from the Treasury that they may. In the great majority of cases the benefit of the exemption will be allowed, and a notice to that effect will normally be sent to the Secretary of each company at its registered office shortly after incorporation. On receipt of such a letter the company will be in the same position as if the new Order had never been issued. Borrowing by individuals on mortgage, etc., is also unaffected except in those instances in which it is proposed, for special reasons, to withdraw the exemption. Action will in any case originate in the Treasury.

Seamen's Welfare

The report has been published of the Committee on Seamen's Welfare in Ports, appointed by the Minister of Labour and National Service and the Minister of War Transport. The Chairman of the Committee was Mr. H. Graham White, M.P., and one of the members was Mr. Richard A. Witty, F.S.A.A., President of the Society of Incorporated Accountants. The report recommends the establishment by statute of a Merchant Navy Welfare Board, composed of representatives of shipowners and seafarers. The Board should appoint a Standing Joint Advisory Council, to include representatives of the voluntary organisations. The Welfare Board would have powers of control over clubs, voluntary organisations and charitable appeals. National appeals should so far as possible be combined under the auspices of King George's Fund for Sailors. It is proposed that the Board's expenses should be met by a levy on members of the industry based on a joint contribution not exceeding 6d. per head per week, payable half by shipowners and half by seafarers. The Committee recommends a State contribution to the capital expenditure.

Congratulations

The following awards were published in the New Year Honours List :—

Knights Bachelor.

- Mr. John Morison, C.A., Director of Finance, Ministry of Supply.
- Mr. J. S. Holmes, M.P., F.C.A.

K.C.B.

The Hon. A. E. Napier, Permanent Secretary to the Lord Chancellor and Clerk of the Crown.

C.B.E.

Mr. L. Cuthbertson, Assistant Paymaster-General.

O.B.E.

Mr. C. J. Sturt, F.S.A.A., Principal Accountant, Contracts Department, General Post Office.

M.B.E.

Captain Charles Norton, M.C., Chief Warden of the City of Westminster; senior partner of Messrs. Norton, Rose, Greenwell & Co., the Society's solicitors.

Mr. David H. Charlesworth, A.S.A.A., Honorary Secretary, Walsall Savings Committee.

On the occasion of the standing down of the Home Guard, the M.B.E. (Military Division) has been awarded to :—

Major Arthur G. Howard, F.S.A.A. (Officer commanding 2c Company, 2nd Battalion, Herts H.G.).

Captain E. Ewart Pearce, F.S.A.A. (71st Glamorgan (Home Guard) Heavy Anti-Aircraft Battery).

Major W. H. C. Wayte, F.S.A.A., who is serving in the R.A.S.C., has been awarded the M.B.E. (Military Division).

Institute's Recommendations on Depreciation

Probably the greatest difficulty confronting the accountant in his task of measuring the profits of a concern is the valuation of fixed assets. No small part of the real grounds for the criticisms of recent years has been the varying bases adopted in relation to depreciation provisions in different businesses, and the fact that one of the easiest ways of making and disposing of undisclosed reserves is that of an allocation to depreciation provisions. The ninth recommendation of the Institute of Chartered Accountants on Accounting Principles deals with this matter, and makes proposals for uniformity on an approved basis. The most notable feature of these recommendations is that calculation on reducing balances disappears altogether from the recommended methods. Having regard to the fact that practically no other method is admitted by the Inland Revenue authorities for purposes of taxation computations, this is rather counsel of perfection. It is well known in the profession that the original cost or "straight line" basis has been growing in favour, especially with the larger organisations, but the older method is certainly still the one most largely used by small and medium-sized concerns, and a changeover, even if approved, presents considerable practical difficulties; it is usually impossible to carry the new method backwards and revise provisions already made, whilst the maintenance of two methods in respect of separate parts of the same plant is a course which accountants will hesitate to propose. No recommendations are made which will assist a company which, having its eye on the perpetuity of its business, may very well wish to build up its funds by a provision calculated on the estimated cost of replacements.

Local Government During Reconstruction

The proposals of the Government for the future of local authorities in England and Wales (Cmd. 6579) will not set the Thames on fire. There are to be no new types of authorities, no drastic absorptions of one authority by another, no extensive recourse to joint or *ad hoc* authorities, no regional authorities and no "centralising of services hitherto regarded as essentially local." Salvation is to be found in a rearrangement of existing areas under a Boundary Commission and in a "general overhaul of the financial relations between the Exchequer and local authorities as soon as the necessary data are available." The Government appear to take the view that until the general pattern of post-war services has become apparent it is not possible to gauge the extent to which comprehensive reform of local government is necessary. The general overhaul of financial relations will have to take account of many important factors. Local authorities who have suffered heavy damage will be handicapped not only by loss of rateable value, for which they do not appear likely to receive adequate compensation, but by the cost of reconstructing their blitzed areas. The Town and Country Planning Act, 1944, leaves open the question of the amount which local authorities are to receive from the Government in respect of the reconstruction of blitzed areas after the first two years. All local authorities will be faced with the demands for the extension of their existing services on a scale hitherto undreamed of. We suspect that in many areas the proposals tentatively made might double the rates in the £. There must in any case be greater assistance from central funds and more differentiation in favour of the relatively poor authorities.

National Debts Compared

The war-time changes in the national debts of this country, the United States and Canada are compared in the November issue of the Federal Reserve bulletin. It is pointed out that between 1939 and 1944 the public debt of Canada and the United Kingdom rose about 2½ times, whereas that of the United States was almost 4½ times as high in 1944. In terms of *per capita* debt, the increase was from \$309 to \$1,471 for the United States, from £173 to £406 for the United Kingdom, and for Canada from \$380 to \$965. As the article points out, however, neither the aggregate nor the *per capita* debt figures have any particular significance. The really significant relationships are those between the debt and national income, and still more between the annual interest burden and the national income. In the United States, the debt was equal to less than 70 per cent. of the national income before the war and—thanks to the enormous increase in over-all production—was only 29 per cent. larger than the national income last year. In Canada, debt and national income were about equal before the war, and the ratio has since risen only to about 25 per cent. more than income. Compare this with our own position where, by dismal contrast, the debt was already 170 per cent. of national income before the war and is now about two and a half times

as great. In all three countries, the average rate of interest has fallen during the war, as a result of the extensive reliance on short-term borrowing. Hence, the interest burden even in this country had risen only from 4.5 per cent. of national income to 4.8 per cent. for the fiscal year 1943-44. In the United States, the debt burden has risen only from 1.4 per cent. to 1.7 per cent., while in Canada the ratio has actually fallen from 3.1 per cent. to 2.8 per cent.

The article concludes that, even if the war continues for a year or two, the post-war interest-to-national income ratio for the United States will still be considerably lower than the pre-war ratios for this country and Canada. For the United Kingdom, however, "the fact that interest payments are so large, combined with other factors, such as the loss of taxable income due to the liquidation of large amounts of British investment abroad, suggests that the United Kingdom will have to maintain a high level of post-war taxation for purposes of debt service alone."

The Institute of Book-keepers' Journal

We congratulate the Institute of Book-keepers on the issue in December, 1944, of the one-hundredth issue of its quarterly journal. The Journal was first published in March, 1920, less than four years after the foundation of the Institute. The first editor was the late Mr. H. J. Eldridge, F.S.A.A., who retained that office until his death in 1934. The one-hundredth issue contains a brief history of the Institute and of the Journal. The first examination was held in February, 1920, with two candidates, but the numbers rose to a total of 2,100 for 1937, the year of the coming-of-age celebrations. The Institute published a translation of Luca Pacioli's "Treatise on Double Entry Bookkeeping" in 1924, and "The Evolution of the Science of Book-keeping," by the late Mr. H. J. Eldridge, F.S.A.A., in 1930. The offices at Finsbury Square were seriously damaged by enemy action in 1940, and the present temporary headquarters are at Finchley. The Institute's policy is to cater for the book-keeper as such, and to give him the opportunity to demonstrate his competence as a book-keeper, while encouraging those members who intend to carry their studies further.

The Society's Library

It is now possible to resume lending library facilities for members and students at Incorporated Accountants' Hall. Complete repairs cannot be effected until after the war, and owing to the destruction of a large proportion of the bookshelves not all the books can be made accessible. It is regretted that no accommodation is available for the consultation of books or periodicals at the Hall, but reference facilities have been made available to members of the Society by the courtesy of some other professional bodies. Requests to borrow books and enquiries about reference facilities should be made to the Society's Librarian at Incorporated Accountants' Hall.

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HIGHER APPOINTMENTS

There has recently been issued the report of the Committee appointed by the Minister of Labour and National Service in July, 1943:

"To consider and report upon the arrangements which should be made to facilitate the employment after the end of hostilities of men and women qualified to undertake responsible work in the professions or elsewhere, with particular reference to (a) the organisation, premises and staff of the Appointments Department of the Ministry of Labour and National Service; (b) co-operation between the Appointments Department and other organisations and institutions (including professional, industrial and commercial organisations) and Universities, at home and abroad."

The Committee had the advantage of the long experience of its distinguished chairman, Lord Hankey, and comprised representatives drawn from many fields, including Mr. Harold Barton, the President of the Institute of Chartered Accountants.

The broad purpose of the Appointments Department will be to ensure that the best use is made of the trained ability and intelligence of men and women and to provide a national service to facilitate the absorption into the professions and elsewhere of those qualified to undertake responsible work. The Committee are satisfied that the necessary machinery cannot be provided by private organisations, and that direct provision by the State is indispensable. The more immediate task will be to handle the problems connected with the re-settlement in civil life of men and women now serving with H.M. Forces; but the long-term policy is to establish a permanent State service. Besides the practical work of filling vacancies classed as Higher Appointments, there will be an advisory section to give guidance on the choice of a career, on facilities available for the relevant training, and on eventual prospects. The Department will be fortified by a Careers Research Branch.

It is made clear that the Appointments Department will not be a monopoly. Employers and employees will be free to use the Appointments Department or to satisfy their requirements through other channels. But the Department will be linked with the professions, industry and the Universities, both to obtain information and advice and to co-operate with any *ad hoc* organisations operating in specialised fields. So long as the present war-time control exists, appointments and positions however filled are subject to the general conditions in force.

It is difficult to estimate at present the view of that part of the public more immediately interested in the proposals. No doubt those views will be largely determined by the belief of some in measures of planning or a dislike on the part of others to the expansion of Government activity—associated, it may be thought, with a further element of control. But the Government has definitely decided on a policy of full employment: this implies not only responsibility to those with whom the Appointments Department will be immediately concerned but also that the first objective of the Appointments Department shall be fulfilled, namely: the most satisfactory use of the trained and skilled intelligence of the country.

The Accountancy profession will naturally be interested in the projected scheme—and its interest will not be confined to its own immediate concerns. During the transition period after the war, three supreme tasks will call for coherent and sympathetic action. First, the placing in suitable appointments, where necessary, of qualified members of the profession. Secondly, the provision by employers of facilities to enable men to complete their interrupted professional training. Thirdly, there are men and women in H.M. Forces who will wish to commence training for the profession. There will be a scheme of grants administered by the Appointments Department for further training and education. These tasks will receive the complete support of the whole profession, and every helpful agency whether official or professional as well as the practical interest of individual members must be co-ordinated and utilised. Liaison between the Appointments Department and the profession will be maintained through the Accountancy Committee, which has functioned throughout the war and has had friendly relations with the Ministry.

We have only attempted all too briefly to indicate the functions of the Appointments Department—more particularly in relation to the problems of the near future—and we feel the proposed facilities will be welcomed by the profession. But whether, beyond the fulfilment of the immediate tasks, the permanent establishment of the Department at an estimated cost of about £1,000,000 per annum will be equally well received is not so certain.

In addition to utilising the facilities of an adequate appointments and advisory service, members of the Society upon their return will desire opportunities to bring up to date their professional knowledge and to re-establish contact with the Society's organisation.

The Society plans to welcome its returning members by organising a short residential course, to last about a week or ten days, and to be repeated as necessary. As stated in our December issue, it is hoped that the course will serve to re-establish personal and friendly relations among the members attending and between them and the President and Council. Members will be the guests of the Society. The organisation will be facilitated by the experience gained before the war in the short courses held at Oxford and Cambridge. The need for a course of this character is already established by many letters from serving members to the Secretary of the Society, and we feel there can be no doubt of the response to the project.

The Treasury and the Select Committee on National Expenditure

[CONTRIBUTED]

Very important issues are raised in the Treasury Memorandum in reply to the comments on Government costing contained in the Fourteenth Report from the Select Committee on National Expenditure Session 1942-43.* The basis of the Government's policy has been to retain, as far as is possible in war conditions, the existing commercial structure and for the Government to remain essentially buyers from private industry rather than to become themselves the main producers. Almost all the factors which in peace-time maintain an equilibrium of this structure have, however, been removed; demand is unlimited for limited supplies of productive factors of all kinds and it is, therefore, necessary to impose supervision on the prices paid for war stores based on information relating to costs. The Committee's task was to enquire how these methods have been working in practice, whether they have been such as to ensure that the Government has got the best possible "value for money," and how they fit in with other Government methods for stimulating efficiency in production. The concern of the Committee was not to restrict the profits of contractors, which are subject to excess profits tax, but to ensure that maximum production resulted from the available resources of the country; indeed, they comment, "Of two contractors working in similar conditions, each producing the same goods sold at the same price, paying the same rates for labour and materials, that one who makes the greater profit will have served the national interest better than the other, since he will have accomplished the same result at a less expenditure of national resources."

Uniformity of Methods

The Committee drew attention to the variety of methods employed by cost investigators on behalf of the several Supply Departments, and urged that there should be a review of all existing methods with the aim of achieving greater uniformity. Not only perplexity but also injustice can be caused by differing methods of costing imposed in relation to contracts carried out by the same firm for different Ministries. There is clearly no assurance that, for example, the whole of the overhead charges will be recovered if the method of charging varies from contract to contract. In the Treasury's reply, it is argued that the lack of uniformity in principle is not so great as might be supposed, and they instance that there is so vast a difference between the making of a battledress and the building of a battleship that a uniform technique would either not be adequate for the one or would be wastefully extravagant for

the other. It is also pointed out that there has been machinery for co-ordination between the Departments and agreed that it will certainly be necessary that there should be a review of the methods developed during the war.

Fixed Prices

The Committee suggested that a policy of placing orders at fixed prices had not been sufficiently operated "in volume and timing," but the Supply Departments claim that the strong tendency in this direction has been increasing and point out the difficulty of establishing reasonable prices quickly in view of the need for knowledge of current costs and future trends and the enormous increase of turnover. It is claimed that risks have been taken in pressing forward this policy, but that only towards the peak of standardisation and flow production could its full possibilities be realised. The advantages of fixed price contracts are evident: there is every incentive to the contractor to economise and to make keen bargains with sub-contractors. The risks of this policy can, the Committee suggest, be reduced by greater co-operation between the Department and the contractor, and much of the energy expended on the examination of costing records released for more constructive work. It might have been added that shrewd buying at fixed prices could have accelerated the attainment of full production.

Use of Costing Data

The Committee remark that too much attention appears to have been paid to investigation of costs (particularly overhead costs) and too little to the use of the information collated in suggesting economies in future production. In reply, it is suggested that the Committee have somewhat underrated the use for economy purposes made of cost accounting, bearing in mind both the primary purpose of such investigations, namely, to provide the data for the settlement and control of prices, and the enormous difficulties in achieving even that primary purpose in the prevailing shortage of suitable accountants. "Cost accounting by itself cannot secure economy. It is rather as a guide and finger-post that it can serve that purpose. . . ."

Rebates

The practice of some Ministries to extract rebates from firms who have been doing Government work is the subject of sharp criticism by the Committee. They pointed out that such rebates are of the nature of an unofficial E.P.T. without any of the safeguards imposed by Parliament. They also caused a lack of confidence in the validity of fixed price contracts

* Published as an appendix to the twelfth report from the Select Committee on National Expenditure, Session 1943/44.

and introduced an element of uncertainty which must seriously affect production. The Committee raised no objection to overall checks as a means of verifying that fixed prices have been reasonable in the past and as a guide in fixing prices for the future. In reply, the Treasury suggests that such rebates are simply a form of discount; but since it is admitted that they are computed on the basis of rules which, although familiar to accountants and to trade associations, are not published, the analogy can scarcely be justified.

Standard Prices

There is also a valuable discussion of the practice of fixing standard prices for industries, the costs of the members of which must vary from firm to firm. Since the full production of the whole industry is required, the classical economic method of marginal cost must be discarded and the search for an ideal fair price is accompanied by arrangements of pooling or of rebates. As might be expected, these arrangements vary considerably, and the criticism of the Committee is that they are "based on no definite principle, extremely difficult for those not actually working them to understand, and apparently open to the possibility of discretionary variations which may involve the handling of large sums of money in a way which is outside the purview of Parliament." In the Committee's view, one of the principal objects of restriction of prices by means of cost investigation is to prevent inflationary effects, and they have expressed a fear that standard prices which are based partly on the results of high cost producers would have inflationary tendencies. Their objection to the principle of rebates in general is also founded on the ground that these are aimed at profits and not at prices which, in any event, have been established and have already had their full economic effects.

Rate of Profit

The method of establishing a percentage rate of profit by reference to the ratio of cost of turnover to capital employed with an allowance for efficiency and risk is not contested by the Committee. Every accountant will be aware of the objections to this method; and in practice the variables for efficiency and risk are so important in relation to the constant principle of turnover ratio that it can be said that the profit rate is largely a question of negotiation. Objectors to the method are always faced with a request for an alternative formula. In fact, it is likely that the matter is not capable of solution by this means but rather by statistical ascertainment of reasonable ranges of rates of profit industry by industry.

Publicity

The Committee complain of the undue secretiveness about the principles on which Departments work, and it is, indeed, surprising that there has been no official publication by the Government of

the principles of costing which have been agreed between the Departments.

Co-ordination Between Departments

The Committee were impressed with the need for some measure of supra-departmental supervision in order to prevent competition between Departments to obtain the largest possible share of available manpower and materials, and expressed the view that existing machinery is too limited in scope. As might be expected, there is complete unanimity between the Committee and the Treasury on the ends to be achieved in this direction, but also agreement that a wide variation of view is possible in relation to the means to be adopted and the degree to which co-ordination can be established.

Trial and Error

To summarise, the discussion presents a typical example of an endeavour to apply the English method of compromise and trial and error to rapidly changing conditions. There is no doubt that during the phase of rapidly increasing production, prices based on past experience have been subsequently found to be profitable and it may be expected that when the need for full production of certain war materials has passed, the reverse effect will be felt. Results produced by costing methods must always be considered in relation to turnover trends. It will be observed that although stimulus to efficiency has been expressed as one of the objectives of governmental methods, the nearest to this that is reached in the discussion is the possibility of the removal of certain major obstacles. The average contractor might well feel that he has little control over the amounts of labour and material which he may use and none over the cost; his profits are liable to E.P.T. and his contracts have to be made with the only customer available who has power to examine his records, to fix the price to be paid and, if the contractor succeeds in spite of all this, to go back on the bargain. Should the contractor object to any of these arrangements, he will be in danger of having his supplies of labour and raw materials cut off. The only motives which might seem to be left to the contractor are patriotism and the desire to preserve his business. A great deal is owed to the ingrained habits of sound business which have continued in spite of the removal of the motives by which they were developed. Fortunately, in practice, the Government officials also have been similarly trained and usually carry out their duties with fairness and consideration. It is clear, however, that when the pressure of war needs is removed, it will be neither safe to rely on the momentum of past commercial practice nor possible to remove for some time a degree of governmental supervision. Many of the questions which are implicit in the dilemma are raised in this most interesting interchange of views. That the chief merit of the present system is that it is not carried to its logical conclusion is a safe indication that we are proceeding on traditional lines.

Accounting for Stock in Trade

[CONTRIBUTED]

The preparation of annual or more frequent trading and profit and loss accounts and balance sheets is, to a degree, the evolution of artificial conclusions, though their necessity may overcome, to an extent, their shortcomings.

Business is a continuous process, and an instantaneous picture (the balance sheet) at any period of time suffers from the same disabilities as an ordinary snapshot in photography, it may or may not be a good likeness. Further, it may be worse than a snapshot in its likeness to the truth, in that it may suffer from the selectivity shown by the oil painter in the treatment of his subject. The revenue account does, to some extent, show movement, but suffers from the fact that it is static at each end.

The feature of these accounts that is under review is the inventory, which may play such a big part in the trading account and is also an important item in the balance sheet. Other items, though important, must be left out of our present consideration.

Having regard to the continuity of business, it is not inapt to suggest that to value stock-in-trade and other items of the inventory on any basis other than cost price is to introduce into the trading account an element that has nothing to do with trading pure and simple. It is introduced in the endeavour to take a picture of a moving scene.

Why, then, all this controversy about cost or market price? It is surely because at each balance sheet date we are supposing that we have reached a period in the business and wish to evaluate the results to date and paint the picture of the position as it now stands. As profit is regarded as the net increase in the assets at one date as compared with an earlier date, it necessarily follows that we should first prepare our statement of affairs (the balance sheet), then reconcile it with the earlier one, the theory of double entry book-keeping notwithstanding. The stock must not appear in our balance sheet at a price in excess of cost, for that would be to take into account

a profit that has not been, and may never be, realised. On the other hand, if the stock has fallen in value or we can replace it at a lower figure, our buying has not been so expert as we would wish, and to bring the cost figure into our balance sheet would be to inflate our real assets; it is strictly only worth the lower figure.

Yet in our trading account the truth is that, whether or not the purchase and sale occurred in the same period, articles which cost £*x* have been sold for £*y*, realising a gross profit of £(*y* - *x*). In arriving at £*x* we have to take into account the opening and closing stocks. If we do not take these at cost, the trading account does not show the true results. Nevertheless, we must give effect to the balance sheet valuations.

The accounting date of a business should be decided by the natural close of the seasonal trading period, i.e. when stocks are generally at their lowest volume. Apart from minimising the effect on the trading accounts, this has other advantages into which we have no space to enter here. Even then, however, the stock valuation has an appreciable effect on the gross profit that the account will show.

The accident of whether goods bought or made in June are sold in December or January may therefore have an unwarranted influence on the profits shown in the accounts prepared in December, despite the fact that they may have been designed for sale in January and are sold in December, or *vice versa*.

It is suggested that the fluctuation of inventory valuation is not a fit subject for the trading account at all, but should be dealt with as an entirely separate problem. If it were so done consistently, accounts would be more realistic than they now are, and the proprietors would obtain a much better picture of the results of their business. It would be quite easy to adjust through a stock reserve account, which would be the link between the trading account and the balance sheet, as is seen from the following illustration (which supposes a cycle of four years):—

	1942	1943	1944	1945
By Sales	£ 100,000	£ 120,000	£ 80,000	£ 90,000
To Opening Stock at cost	4,500	8,000	6,000	7,000
Purchases	72,700	81,100	56,300	59,750
Inwards Carriage	800	900	700	750
	78,000	90,000	63,000	67,500
Less Closing Stock at cost	8,000	6,000	7,000	4,500
	70,000	84,000	56,000	63,000
Gross Profit	30,000	36,000	24,000	27,000

STOCK RESERVE ACCOUNT

	1942	1943	1944	1945
Excess of Cost over market value beginning of year ...	£ —	£ 600	£ 400	£ 900
Do. End of year	600	400	900	—
Profit and Loss Account	600	200	500	900

The witness may, however, refer to contemporary notes which he has made for the purpose of refreshing his memory. In accordance, also, with a recent Act, he may corroborate himself by producing any contemporary document in which he has recorded the incidents as to which he gives evidence. Thus he can produce any contemporary letters which he may have written or any notes of telephone conversations which he may have made. These latter are of particular importance. The Judge will always prefer a contemporary document to a man's recollection, for this may be warped by subsequent events. Thus, where negotiations are partly by letter and partly by telephone, the letters may give quite a false picture if taken by themselves and, in the event of no note having been made of the telephone conversations, an injustice may be suffered. It is highly desirable, therefore, that a note of the effect of all telephone conversations should be taken as a matter of routine. It is also highly desirable that a note of all important interviews should be dictated as soon as possible afterwards. If trouble does ensue, these notes will make all the difference.

The only other matter with regard to evidence of fact which a witness need bear in mind is this: *Listen to the question and answer it.* It sounds easy, but not one witness in a hundred will do it. After the witness has answered, he may add an explanation if he thinks fit, but he must answer the question first. Keep explanations as short as possible. Counsel for the party who has called the witness will have the opportunity, before the witness leaves the box, to ask for any further explanation which may be desirable. The witness need not concern himself with any of the rules as to hearsay evidence, etc. These are matters for the lawyers. All the witness need worry about is answering the question.

Now as to expert evidence. Here again the golden rule is "Listen to the question and answer it." Perhaps the simplest method is to take an example and trace the job of an expert witness through the preparation of a case.

Let us assume that Mr. A. has purchased a business, relying upon the report of an accountant, and that he considers that he has been swindled. The papers will be sent to you by Mr. A.'s solicitor and you will be asked to express your opinion (a) as to whether the report fairly and accurately described the business and (b) as to whether it was such as could have been honestly put forward by an accountant. Answer these questions. Your answer may be Yes or No, or it may be "The material at present before me is insufficient to enable me to give a definite answer." When you have answered the questions, state your reasons and state them in the simple language of the layman. We all have our professional jargons. They are very useful for expressing ourselves to fellow members of our profession. I believe that asses communicate with each other by flipping their

ears. This may be very useful as between asses, but it does not convey much to other people. The same thing applies to all professional jargons. You may know what debit and credit mean, but I, as a lawyer, do not. Therefore, when you are talking to a lawyer, say "So much was paid by so and so to so and so." He will then know what you mean. If you just flip your ears, he will be none the wiser. Then when you have stated your reasons, deal with matters as to which you require further information. Say "I observe that there is a considerable increase in the value of stock. I have no information as to how this stock was valued or as to whether there was any allowance for depreciation of stock. In view of the nature of this business, this marked increase leads me to suspect the genuineness of this balance sheet. An error of 1 per cent. in the valuation of stock would affect the profit by x per cent."

When you have made your report, the next step will probably be a conference with counsel. Counsel may look very learned, but remember that he knows much less about accountancy than you do. You have to make things very simple for him. The same remarks will apply to the Judge if you eventually come before one.

After conference, if you decide to proceed, there will be what is called discovery of documents. That is to say, each side will have to disclose the documents in their possession on oath. You will then go through your opponent's documents and make another report. In this you should state whether you think there ought to be other documents in the possession of your opponents and your reasons for so thinking.

Finally you will come to the preparation of your evidence in Court. In so far as your evidence is based on calculation, check these calculations personally. I once saw a very well-known accountant compelled in the witness-box to admit to over 100 errors of calculation. He did not look so good, and it cost his client the case. In so far as your evidence consists of opinion, prepare material to support your opinion. If, for instance, you are saying that the depreciation allowed on certain items of plant is inadequate, have with you any books which support your view. If the correct percentage of depreciation for this type of machinery has been decided by the Commissioners for Income Tax, have a record of their decision with you. If you are saying something is the practice of accountants, bring with you some accounts in which the practice has been adopted. When you are giving your opinion, it is always as well to be able to refer to the authorities or examples upon which you base that opinion.

One last word: When you get into the witness-box listen to the question and answer it. Do not trail off and answer something else. Never hedge. Cross-examining counsel knows his job. The more you try to dodge a question, the more resolved he will be that you shall answer it.

Accountants and Economists

By F. S. BRAY, Chartered and Incorporated Accountant

Economists have frequently criticised accountants for adding little or nothing to their knowledge of economic science, notwithstanding the fact that accountants have been in intimate possession of the facts relating to business enterprise.

In an important article which Mr. H. Norris has contributed to the *Economic Journal* for December, 1944, on the relationship between economists and accountants, attention is drawn to yet another criticism. Professor Canning is quoted as saying: "The accountants have no complete philosophical system of thought about income; nor is there any evidence that they have ever greatly felt the need for one. Their generalisations about income, to the extent that they go beyond procedure at all, are too inchoate, in comparison with the structure of procedure they have built up, to permit one to suppose that they have ever seriously put their minds to the philosophical task."*

This criticism is based on similar foundations to those put by other economists in the past, including no less a person than the late Lord Stamp, himself an honorary member of the Society. But as Mr. Norris, writing as an accountant, points out, there does not seem to be any very clear thinking among economists themselves as to what constitutes income when considered within the context of Professor Canning's criticism. Nevertheless, one of the real difficulties seems to lie in the statement of accounting documents in such a form that at least both accountants and economists shall be able to understand what they really mean. As Mr. Norris explains: "Our conception of profit is as a residue of revenue from the sale of goods or the rendering of services, after deduction of the cost of supplying those goods or of rendering those services"; and again: "Earnings to an accountant are simply money revenues from operations minus the cost of performing those operations."

As Mr. Norris has well said, it is costs that accountants deal in rather than values, a proposition which they should make clear to economists in the formulation of their documents. For example, the acquisition of a machine is not immediately considered in terms of either its realisable value or its replacement cost, or, for that matter, any other value. To the accounting mind it is the acquisition of a store of future costs. There is no real difference between these costs and any other cost other than the time lag which arises before they enter into the income statement as costs of operations.

It is of course true that serious changes in the value of money can affect the accounting measurement of income by reason of the rigidity of certain

recurring contractual business transactions calculated on an historical cost basis. As Mr. Norris says: "There is at least a case for the accountant to extend his functions and consider the incidence of price changes on business undertakings, and perhaps to compute sums which might be set aside out of profits to provide for maintenance of the physical capital of such businesses. But (he continues) I would suggest that such calculations are external to the normal function of accounting; they are recommendations about the disposal and saving of earnings as measured (in money) by accountants in a manner which, ideally at least, approaches determinacy. Considerations which involve reference to price levels and real capital are necessarily indeterminate." This is the crux of the whole matter and explains why it is that accountants attach so much importance to the preparation of their documents on the basis of monetary cost. It should not be overlooked by economists, however, that accounting entries made in terms of monetary cost in respect of business transactions occurring within a like time period are capable of throwing up ratios, a comparison of which can suggest inferences to economists upon which they can reasonably rely. Mr. Norris remarks that "if the conception of accounting as concerned with costs rather than with values (or with 'real' capital) is appreciated by economists in its broad outline, we shall have reached a basis from which the various difficulties can be cleared up." We think that all accountants will be in fundamental agreement with this statement.

Mr. Norris concludes his article by suggesting that "Accountants . . . would do well to consider whether they can help the economist in the preparation of statistics by providing more accurate and more informative accounts so far as lies within their power." He adds, "uniformity of presentation of results is doubtless the feature which needs most attention by accountants; that, I suspect, would be the judgment of most statisticians."

We submit that the publication of *Design of Accounts* by the Incorporated Accountants' Research Committee is a contribution to the end which Mr. Norris desires and as such is not without its significance, although it still leaves untouched some of the problems which inevitably arise in measuring the items which enter into accounting documents. At the close of his article Mr. Norris quotes as a footnote the chairman's speech printed as an accompaniment to the 1943 accounts of Imperial Chemical Industries, Ltd., which sets out in the form of an income statement the group's trading results for the preceding year. The form in which these figures are shown might very well be compared with the specimen form of published profit and loss account contained in *Design of Accounts*.

*The Economics of Accountancy, p. 160.

TAXATION**Taxation Notes****E.P.T.—Repairs, etc.**

The "spreading" provisions of Section 33 (2), Finance Act, 1940, not infrequently act somewhat harshly, and the attention of clients should be drawn to them before they undertake any expenditure that is in danger of being spread back. A common example is where substantial repairs have to be carried out. Instances which are before us at the moment are the renewal of factory flooring and of a mill wheel, etc., both of which involve spread into the standard period, with corresponding decrease in the standard profit.

As the standard profit will affect all future chargeable accounting periods, as well as those to date, the effect is that the whole cost of the repairs (except such portion as is attributed to extra war-time user) has to be met out of standard profits. Moreover, unless a claim for deferred repairs is made year by year in future, the E.P.T. will actually increase.

The provisions have merits, were very necessary, and cannot be argued against with much merit. Nevertheless, they may put a curb on repairs, etc., that it would be better were not there.

Obiter dicta

"It is quite impossible to argue that a doctor's bill represents money wholly and exclusively laid out for the purposes of the trade, profession, or employment or vocation of the patient" (M.R. in *Norman v. Golder*, 1944) T.R. 335).

Error or Mistake

The attention of readers is specially drawn to the decision in *Carrimore Six Wheelers v. C.I.R.* ((1944) T.R. 339) where it was held that an appeal under Section 24, Finance Act, 1923, cannot be made to the Court on the construction of the section, as the section only permits an appeal on a question of law in connection with the computation of profits or income. A wrong entry had, by agreement, been made with the full knowledge that it was wrong, and deliberately. The taxpayer sought to have it changed, but unsuccessfully, and the Court could not interfere with the decision of the Special Commissioners. The right of appeal to the Court under this section is therefore most circumscribed.

Discharge of Tax

While the forms issued to explain to wage-earners how the discharge of tax affects them, are complete, it is unfortunately the case that many of the recipients are "fogged" by their contents, especially where there are other sources of earned income. No doubt the forms are designed to accord with departmental records, but we cannot help wishing that they had been made a little easier for the recipient to follow. We know of cases where accountants have had to set out the figures in another way before the taxpayer understood them. P.A.Y.E. is so well explained in the Revenue booklet that we are surprised that the same simplicity has not been followed here.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.Litt., Barrister-at-Law

Income Tax—Land containing gravel—Licence to take gravel on payment per cubic yard varying with quality—Overburden removed by licensee Rules of No. III, Schedule A—Whether gravel pit a quarry within Rule 1, one of the "other mines" within Rule 2, or "a concern of the like nature" within Rule 3—Whether the payments rent in respect of an easement within Section 21 of F.A., 1934—Whether the payments "annual payments" within Rules 19 and 21 of General Rules, I.T. Act, 1918.

Mosley v. George Wimpey and Co., Ltd. (K.B.D., April 26, 1944, T.R. 289) was a case where this well-known contracting concern again found itself involved in disinterested litigation. The plaintiff, the tenant-for-life of the land containing the gravel, brought an action to recover £1,115 tax deducted from £2,330 due to her from the defendant in respect of gravel taken from her land. It did not matter to the defendant whether they had to deduct tax or not. If not, the amount would be allowable as a deduction in arriving at their trade profits. It was admitted that in view of earlier decisions, the licence constituted an "easement," and the question then arose whether it was an easement "used, occupied, or employed in connection with any of the concerns specified in Rules 1, 2 and 3 of No. III of Schedule A," so as to bring it within the scope of Section 21 of F.A., 1934. Macnaghten, J., to put the matter shortly, found that a gravel pit was neither a quarry within Rule 1, nor a mine within Rule 2, nor was it one of the "other concerns of the like nature" within the extraordinarily mixed list found in Rule 3. But, even if it had been within one of these rules, the easement had to be "used, etc.," in connection with another concern. It could not be the concern itself. He agreed with the decision of the Court of Session in

the action of the *Duke of Fife's Trustees* against the same firm, noted in our issue of November, 1943.

As to the argument that the payments in question fell within Rules 19 and 21 of the General Rules, he said that there was some difficulty in saying what "annual payment" meant in those rules; but he was content to follow *Hill v. Gregory* (1912, 2 K.B. 61, 6 T.C. 39), where Mr. Justice Hamilton, afterwards Lord Sumner, had held that under the earlier enactments consolidated with the said Rules by the I.T. Act, 1918, the right to deduct did not exist.

Schedule D, Case I—Appellant company timber merchants—Agreements by second company to purchase 1,930 Russian output of sleeper blocks—Output far in excess of expectations—Second company unable to finance output—Appellant company to prevent slump in prices agrees to dispose of output for guaranteed commission—Purchases financed by bills drawn on and accepted by appellant company against bills of lading—Output eventually sold for £77,000 less than acceptances—Insolvency of second company—Special agreement between two companies and principal shareholder of second company—Debt scaled down and second company released in consideration of undertaking by said shareholder to discharge debts by stated date, interest to be paid thereafter—Security also given consisting of shares in German company and debt due therefrom—Security encumbered and payments made by appellant company to free it from mortgage—Whether original trading debt extinguished by substitution for it of rights under special agreement—Whether capital transaction or whether original debt remained open and loss arising admissible as deduction in computing profits of appellant company.

Calders, Limited v. C.I.R. (Court of Session, July 20,

1944, T.R. 303) was a case where the Special Commissioners had held, upon the facts set out briefly in the heading, that the agreement with the second company whereby the appellant had made large disbursements under it in order to enable the latter to carry out its contract to purchase the sleeper blocks was one under which the said disbursements were moneys laid out wholly and exclusively for the purposes of appellants' trade. The Court unanimously upheld their decision as being supported by the evidence, rejecting the Crown's argument that they resembled a capital loan. But the Special Commissioners had also held that the original trading debt had been extinguished by substitution for it of the rights conferred on the appellant by the special agreement, and the Court was also unanimous in reversing this decision.

The case is a valuable one, and the following extract from Lord Fleming's judgment would seem to sum up its essence:

"A creditor in a trade debt will naturally accept any kind of security which his debtor can offer him, particularly as a condition of giving him time for payment; but the debt none the less continues to be a debt which has arisen out of a trading transaction. The provisions of the agreement and the acting of the appellant under it were directed to one object only, namely, the obtaining payment in cash, with interest during non-payment of the original disbursements. Under the agreement, the appellant got security, but did not acquire a proprietary right in any asset, nor was the debt in any sense funded or otherwise capitalised."

As regards the large sum paid to free the security from encumbrances, Lord Fleming said the Special Commissioners had accepted the evidence that in making the expenditure the appellant had no idea of investing money; and, no doubt it was anticipated that, as a result, the whole debt, including the expenditure, would be paid in full. It is to be noted that whilst the original debt was apparently incurred in 1932-3, it was not until 1933 that it became doubtful, and not until 1938 onwards that the loss was regarded as having materialised. (In the absence of the lease, the years of assessment involved cannot be stated.)

Sur-tax—Settlements—Annuities payable for benefit of children—Trustees given discretion as to application of annuities for maintenance—Annuities paid by settlor to trustees and, as regards minor beneficiaries, paid back at once by trustees to settlor—Annuity payments to adult beneficiaries handed back by them to settlor to keep for them—Whether income diminished—I.T. Act, 1918, Section 27—F.A., 1927, Section 38 (2)—F.A., 1936, Section 21—F.A., 1938, Section 38, Schedule III, Part II, para. 1 (c).

The case of *Russell v. C.I.R.* (C.A., July 28, 1944, T.R. 285) was noted in our issue of December, 1942. In the King's Bench Division; Macnaghten, J., had found in favour of the Revenue, but this was reversed by a unanimous Court of Appeal. Luxmoore, L.J., gave the only judgment.

In view of the long interval between the hearings, the facts require brief recapitulation. Appellant was the father of three children who lived with him. By the first settlement dated February 14, 1935, he had covenanted with the trustees, his solicitors, to pay to them in trust for each child during the joint lives of himself and the child an annuity of £1,500. The annuities commenced from April 6, 1934, and like all the annuities in the case, were payable annually upon April 4. The first deed was revocable with the consent of one of five persons. Upon April 2, 1937, by a second deed, similarly revocable, appellant covenanted to pay his adult son, Michael, a further annuity of £1,500 during their joint lives. Upon October 28, 1938, both deeds

were revoked, and upon the same day appellant covenanted to pay to the trustees for each of his two sons, both then of age, for four years from April 6, 1938, an annuity of £1,500.

The method adopted was for appellant to pay the annuities to the trustees less tax, and for the latter to send at once a cheque for the same amount back to appellant upon behalf of the annuitants who were minors. In the case of the adult sons, the cheques were normally sent to them and they endorsed them and handed them back to their father "to take care of." The net result was that, although he had incurred legal responsibilities, the appellant had paid annuities aggregating from £3,000 to £6,000 per annum without being a penny out of pocket.

Section 21 of F.A., 1936, precluded any claim for 1936-7 in respect of the minors, and the claim for that year was limited to Michael's two annuities. For 1937-8, no claim was made under the second deed, owing to the provisions of F.A., 1938, Section 38, but a claim was made in respect of Michael's annuity under the first deed by reason of appellant having availed himself of the provisions of F.A., 1938, Schedule III, Part II, para. 1 (c), and executed the third deed, providing annuities of £1,500 per annum to the two sons.

Luxmoore, L.J., said that so far as the payments to the adult sons were concerned, Macnaghten, J., had said that the trustees had no duties except to hand the money received from the appellant to them. He had apparently overlooked the important fact that the sons' interests were not absolute but ceased on bankruptcy, assignment, or charge, when discretionary trusts would come into existence. The exoneration of the trustees from seeing to the application of the moneys paid during minority did not affect the appellant. He was, as guardian of the infants, under legal liability to apply the money for the infants' benefit and could be compelled either at the suit of the infants' next friend or by the infants themselves on attaining majority. There being no attack upon the genuineness or bona fides of the deeds, it was not open to the judge to come to the conclusion he did. Leave to appeal to the Lords was unanimously refused.

In the present writer's original note he remarked, as regards the judgment of Macnaghten, J., that "whilst the decision will commend itself as a finding of fact, it does seem to raise an important question of principle which might theoretically affect quite genuine transactions." That is the dilemma in so many of these settlement cases.

Sur-tax—Irrevocable settlement of £500 in favour of daughter if and when she should attain 25 years—Power to apply income for maintenance and benefit in meantime—Similar settlements on two other daughters—Trustees given wide powers of investment and also power to borrow—Funds invested in shares of private company controlled by settlor—£7,000 shares of £1 bought at par in each case, £6,500 being advanced by settlor to trustees free of interest—Dividends received by trustees applied in repaying loans made by settlor—Whether income payable to settlor in any circumstances—F.A., 1936, Section 21—F.A., 1938, Section 38.

Jenkins v. C.I.R. (C.A., October 31, 1944, T.R. 327) was noted in our November, 1944, issue. In the Court of Appeal it was argued for the appellant that what the trustees had paid to the settlor was not "income" but "cash," moneys paid out of the balance to the credit of the trustees' account. This interested but did not convince the Court in the light of the facts. The Crown's argument that the settlement was caught

by Section 21 of F.A., 1936, because in effect it was not "irrevocable," again failed.

In giving the leading judgment of a unanimous upholding of the decision of Macnaghten, J., the Master of the Rolls said that as soon as the trustees decided to repay the settlor's loans, the money became applicable for the benefit of the settlor, because it was not disputed that the repayment of a non-interest-bearing loan was for the benefit of the settlor. He expressed no view as to what the position would have been had the loan been of a different description. He did not, however, consider actual payment to be necessary. The fact that the money could always be so paid if the trustees so decided was sufficient. Leave to appeal to the Lords was refused.

The question when money received as "income" changes its character arises in many different circumstances, and sometimes presents considerable difficulties, particularly in regard to foreign income within Cases IV and V.

Schedule D, Case V, Rule 2—Appellant resident and ordinarily resident but not domiciled in U.K.—Pension from Indian Government paid into bank account in India—Various Indian investments made thereout—Investments sold from time to time and proceeds remitted to the U.K.—(1) Whether remittances capital or income—(2) Whether previous decision by Special Commissioners made the matter res judicata.

Patuck v. Lloyd (C.A., October 31, 1944, T.R. 333) was noted in our issue of July, 1944. In the Court of Appeal, Mr. Patuck fared no better than in the lower Court, and all his points were rejected unanimously. Upon the first and principal issue, the Master of the Rolls had something to say upon the problem indicated in the original note which is worthy of quotation:

"There is always, of course, the question that, if a person leaves income abroad and does not bring money to this country for a considerable time, his affairs may be of such a nature that it is very difficult to say whether the money brought in is or is not income money. . . . If it arose, it would be a question of fact, but it does not arise in this case."

Upon the question whether the Special Commissioners were bound by their decision for an earlier year, the Master of the Rolls declared:

"There is no such thing as *res judicata* in respect of the decisions of income-tax commissioners. They may or may not follow their previous decision; but they are not bound to, because the subject matter is a different year's tax, and a different year's assessment, and is not the same as the subject matter of the previous ruling."

The above passage is one which requires to be borne in mind and, upon occasion, brought to Commissioners' notice where, except for precedent, a different decision would be given in all probability.

Company Law Amendment Committee

Summary of Minutes of Evidence—XIII

The twenty-sixth sitting day of the Company Law Amendment Committee was November 24, 1944. We understand that the Committee has now completed the hearing of evidence and is now engaged in preparing its Report. Readers interested are again advised to peruse the full Minutes of Evidence published by H.M. Stationery Office, in view of the detailed and technical nature of many of the points brought out in the written and oral evidence.

Mr. H. G. Brown

On the 26th sitting day the Committee heard evidence from Mr. Harold George Brown, a director of several well-known companies and formerly a partner in Messrs. Linklaters & Paines, solicitors. On the subject of nominee shareholdings Mr. Brown was asked his opinion of American legislation. He said: "You can summarise the American Act by saying that you presume every director to be dishonest until he is proved to be honest, and that he is presumed to be liable until it is proved that he is not liable. I have read that Act and my view about it is that I would be sorry to see it copied here." The witness said that he was "astounded" at the evidence which Imperial Chemical Industries had given regarding the work involved in ensuring disclosure of beneficial interest. He said that in the case of companies in which there were very free dealings in shares, it would probably not be possible for the ordinary staff to deal with a special register even on the current run of business, while finding out the real owners of all the shares now in the names of trustees and nominees would mean a tremendous amount of work for every company.

In his memorandum Mr. Brown had suggested that the Government should take powers to enable it to ascertain who were the real owners of shares, provided that it was in the national interest that this information should be obtained. Asked what powers the Board of Trade was to be given in order to make this effective, the witness suggested that the Board would provide,

until it was satisfied as regards the ownership of the shares, that the holder should have no vote and no dividend and that the shares should be put in the name of an official custodian.

Discussing the disclosure of accounts by private companies, Mr. Brown argued that were this made compulsory a number of limited private companies would convert to unlimited liability companies or companies in which the directors took unlimited liability. Mr. Gedge pointed out that it was not possible to convert a limited company into an unlimited company at present, and the chairman observed that it would be necessary to make provision for that. Mr. Justice Cohen added: "I think it would have to be done by some form of reconstruction, because quite clearly you could not impose upon the shareholder unlimited liability without his consent."

A further point made by Mr. Brown was that sufficient knowledge was not available to show what the effect might be of making consolidated accounts compulsory. Asked if he meant that accountants were not yet sufficiently skilled to deal with the difficulties of consolidation, he replied: "I think accountants are extremely skilled, but I do not think even accountants know everything, and if you passed an Act of Parliament requiring consolidated accounts you may find you have done something which in certain particular cases is going to do harm. I myself feel it would be very much better to let the official world have another six or ten years' experience of consolidated accounts, which are comparatively new."

FINANCE**The Month in the City****Rise in Gilt-Edged**

One of the events of the current month should be the replacement of Exchequer Bonds by another "tap" issue on the lines of the previous National War Bond issues. When the Chancellor of the Exchequer introduced the new $1\frac{1}{2}$ per cent. bonds at the beginning of November, he explained that they would only be available for a few months, and it may be assumed that they will be withdrawn by February 15, when they enter the category of "shorts." Meanwhile they have had a stimulating effect on the level of gilt-edged prices by drawing fresh attention to the fact that the Government's methods of maintaining cheap money after the war can include variations in the relative supply of short- and long-dated securities in accordance with the public's preference for liquidity. As a result of this improvement in gilt-edged prices it may be expected that the Government will be able to revert to an issue of the National War Bond type on terms still more favourable to itself than the last issue, which bore interest at the usual rate of $2\frac{1}{2}$ per cent. and was dated 1952-54.

New Zealand Conversion

Following the recent series of municipal conversions, the Government of New Zealand is offering a new $3\frac{1}{2}$ per cent. stock 1962-65 at $99\frac{1}{2}$ in exchange for its $4\frac{1}{2}$ per cent. and 3 per cent. stocks which are repayable on March 1 and April 1 respectively. By comparison with the latest L.C.C. 3 per cent. stock 1962-67, which gives a redemption yield of £3 1s. 3d. at its issue price of 99, the New Zealand conversion issue will return £3 5s. 8d. This differential is justifiable in the light of the relative investment status of home corporation and Dominion stocks, but it is sufficiently wide to arouse the expectation that the New Zealand stock will establish a premium. Although New Zealand is apparently well supplied with sterling balances, it is pointed out that there are sums owing to the British Government on account of war advances, as well as further substantial loan maturities to be dealt with in the next two years. Consequently the New Zealand Government is not proposing to repay any of the £17.2 million of maturing stocks in cash, except, of course, in so far as holders prefer cash to conversion. On this occasion a novel feature of the arrangements for the repayment of unconverted balances is that the New Zealand Government itself will repay up to £4.5 million of unconverted stock (beyond the £2.9 million which it already holds), while the "underwriting" of the British Treasury will be limited to £10 million of the remainder. In the case of previous war-time conversions, both of municipalities and of Dominion Governments, it has been the practice for the British Treasury alone to carry the underwriting. The terms of the New Zealand conversion offer are not only interesting in themselves, but also as an indication of the possibilities in the case of the impending Australian conversions.

Bank Results

The results of the joint-stock banks for 1944 vary only in detail from those of the previous year. The increase in deposits is represented almost entirely by larger holdings of Treasury deposit receipts, but greater liquidity has not prevented a further rise in profits. The banks' exact position with regard to the payment of E.P.T. is still obscure, but it may be presumed that

aggregate earnings are higher, in spite of the fact that earnings per unit of assets must have suffered from the declining proportion of "earning assets." If the national income is maintained at round about its present level after the war, it is unlikely that there will be any contraction in bank deposits, since the two figures normally stand in a fairly constant relationship. On the other hand, the present distribution of bank resources must be regarded as temporary, and much of what the bank chairmen have had to say this year has been concerned with methods of restoring bank advances to a more normal proportion of deposits. Much has been said, for instance, about the provision of finance for industry, and in particular about the supply of medium- and long-term capital for smaller enterprises. In order to restore their advances to the extent envisaged, the banks will presumably have to divest themselves of part of their present holdings of Government debt, unless there is further credit creation to accommodate the expansion in advances. A reduction in the amount of Government debt held by the banks could only come about by repayments out of Budget surpluses, which seem unlikely in view of post-war obligations, or by shifting some of the debt over to the public in the form of funding issues. The success of the latter process would depend upon the public being willing to hold a larger proportion of its assets in the form of Government securities. This willingness might be more noticeable in the settled conditions of peace-time, but without it any extensive funding of war debt would endanger the Government's cheap money policy. At all events it can hardly be doubted that the banks will succeed in increasing their advances, which raises the question of the adequacy of their present capital and reserves to a changed distribution of assets. A restoration of advances to their pre-war ratio when deposits were established at a permanently higher level would hardly be practicable without fresh infusions of capital. At present the ratio of capital and published reserves to deposits is only $3\frac{1}{2}$ per cent., which would not be enough to sustain the risks inherent in a more liberal advances policy.

The G.E.C. Affair

The refusal of the Stock Exchange Committee to give permission to deal in the new preference issue of the General Electric Company has naturally become a *cause célèbre*. The position, briefly, was that the issue was placed with a group of financial institutions, instead of being offered to shareholders, for the ostensible reason that the Treasury dislikes the creation of active markets in new securities. It is impossible to detect any logic in this attitude, but the peculiar inconsistency of this case lay in the fact that after the placing had been made permission to deal in the whole issue was requested. This would have created the very conditions of an active market which the authorities apparently wish to avoid. It would also have removed any justification there might have been for placing the shares with financial institutions in the first place instead of offering them to shareholders. In the circumstances the Stock Exchange Committee very rightly refused permission to deal on the grounds that a false market would be created. In this action it tacitly registered its protest against the authorities' insistence on determining not only what capital shall be raised, but also how it shall be raised. The method the authorities have chosen means the unjustifiable exclusion of all but a few institutional investors from the benefits of the issue.

Points from Published Accounts

Preliminary Statements

The British Celanese episode emphasised the desirability of publishing profit statements along with dividend announcements, particularly when the latter are of first-class investment interest. Another aspect of preliminary statements has been stressed by the report of the Lancashire Cotton Corporation. In its preliminary statement, the company announced a profit of £508,331 and compared this with £576,572 earned in the previous year—noting, however, that in respect of the latest period £96,167 had been provided for maintaining the process stock at 5d. per lb. (following upon the increase of 4½d. per lb. in raw cotton prices in April) and that, on the other hand, a provision of £100,000 for postponed repairs made last time had not been repeated. The full accounts show, however, that apart from these adjustments, a fundamental change has been made in the method of striking profits. The dividends on the preference and ordinary capital are shown to require £108,231 net, whereas for 1942-43 there was a gross provision of £211,917 for these payments. Adopting the new basis of calculation, the truly comparable figure to which the latest profit of £508,331 should be related is, therefore, £470,614, not £576,572, as recorded by the company. Matters are not made any easier for shareholders by the manner in which the profit and loss account has been drawn up. The trading surplus is shown as £495,252, and a parallel column headed "Comparative figures 31 October, 1943," gives a corresponding figure of £659,073. In fact, however, the latest profit has been determined not only after providing for tax over the whole of profits, as already noted, but also after deducting the special allocation against process stock—which is not referred to in the profit and loss account, though mention of it is made in the directors' report. Allowing for these two matters, the trading profits record not a decline from £659,073 to £495,252, but an increase of £40,000 odd to £699,650. This is another instance where the figures for the preceding year should have been adjusted so as to be truly comparable. Had that been done the directors themselves would have realised the impression which the preliminary statement as officially phrased was bound to make.

Tube Investments

Tube Investments has now joined the band of companies which publish consolidated profit and loss accounts, and there could be no better example of the advantages derived from the presentation of a really comprehensive statement of affairs. For 1942-43 the holding company returned a net profit of £685,152; but the comparative figures for that year now included in the fuller profit and loss account reveal that this surplus was arrived at after the subsidiaries had added a total of £371,739 to their reserves and undistributed profit balances. This was equivalent to 19½ per cent. on the parent concern's equity capital, raising the true earnings from a nominal 35 per cent. to 54½ per cent. On this occasion the parent undertaking returns the substantially larger net profit of £824,048, but thanks to the extra information provided it can be seen that part of this increase is due to the subsidiaries having reduced their reserve appropriations to £323,963. This is equivalent to 17½ per cent. upon the holding company's equity capital, making total earnings of 59½ per cent. for that class. As could be expected from the disclosure that the subsidiaries have been in the habit of

retaining a large part of their annual profits undivided, the reserves and surplus of the group have a very much larger total than those of the parent company alone, amounting, as the consolidated balance sheet demonstrates, to £5,336,517, against £2,409,263. It is no less interesting to find that, while the parent company has net liquid assets of £4,757,775, for the group as a whole the corresponding figure is £5,898,858. Incidentally, while the parent holds something over £5 million in cash, tax reserve certificates and general investments, the group as a whole has more than £9 million placed in assets of this character.

Scottish Motor Traction

In his statement to shareholders the chairman of Scottish Motor Traction expresses the hope that they will now find the balance sheet much more informative. This hope is founded on the changed method of making up the balance sheet, for the item depreciation and other reserves, amounting a year ago to £1,529,020, has now been split up into its component parts and the depreciation reserves proper have been deducted from the cost of the relative assets. The result is to illustrate the advantages which come from showing the assets at both their gross and net amounts instead of either giving the net amount only or including depreciation provisions among reserves with the suggestion that in part, at any rate, they have a free character. The most spectacular detail is that rolling stock of £874,099 has been reduced to only £72,304 by applying depreciation reserves of £801,795. Plant, machinery, etc., amounting gross to £136,974, is reduced to only £26,429 net by depreciation provisions of £110,545; and for heritable properties on the one hand and private cars and commercial vehicles for sale on the other, the gross and net sums are respectively £709,335 and £441,135, and £148,175 and £98,175. The directors have followed a consistent policy by disclosing for the first time how the present valuation placed upon shares in subsidiaries is arrived at: the cost figure is £1,437,757, and from this are deducted capital repayments of £653,155. The subsidiaries owe £181,674 to the parent concern, so the total interest in these companies amounts to £966,276. It is a defect that the improvement in presentation has not been extended to include the submission of consolidated accounts, although dividend and interest receipts account for £390,091 of total revenue of £1,266,896.

Brickwood and Company

Of recent months we have come to expect that, where the directors draw attention to the fact that the accounts are presented in amended form, the new method of disclosure will be more informative than the old. This is, however, not true of Brickwood and Co. Previously the company showed dividend and interest receipts from subsidiaries separately from trading profit, but the two are now grouped together and, moreover, the omnibus figure is determined after making provision for depreciation, deferred repairs, and other contingencies. A year ago, on the other hand, the accounts showed allocations of £80,000 to repairs and maintenance equalisation account and £35,679 for depreciation and renewals. It is a pity that these details have now been suppressed both in the company's own accounts and in those of the group as a whole, for the change detracts from the favourable impression otherwise created by the submission of the usual consolidated balance sheet and consolidated profit and loss account.

Publications

Courts Emergency Powers Practice. By Robert Schless. (Hamish Hamilton (Law Books), Ltd., London. Price 21s. net.)

This is the Courts Emergency Powers part of Burke's "Loose-Leaf War Legislation," published separately for purchasers other than subscribers.

The editor points out that no branch of emergency legislation has occupied more of the attention of Parliament since September, 1939, than that with which his book is concerned, and none has figured more often in the law reports. Indeed, his own index of cases in this work runs to 12½ closely-printed pages; nevertheless he is optimist enough to believe that it "has now reached a stage of consolidation which appears to leave little room for further legislation and judicial interpretation." We can only hope that this forecast is correct, but since the date when that paragraph was penned there has been the decision in the Chancery Court in July last (*re* debtors, 2 and 3 of 1944. 2 All E.R. 525). In that case the question arose whether circumstances which were admittedly attributable to the war, but which might have been in the contemplation of the debtors at the time the obligations concerned were assumed, could be pleaded in asking for relief under the Acts. Happily, the Court rejected the view put forward by the petitioning creditors, which would have nullified the whole provision of the Acts. We find it difficult to conceive of a mass of complicated legislation in which anything like finality has been reached—until the legislation is dead.

The Courts (Emergency Powers) Act, 1943, consolidates the Courts (Emergency Powers) Acts, 1939 to 1942, together with the Possession of Mortgaged Land (Emergency Provisions) Act, 1939, and Section 27 of the Liabilities (War-time Adjustment) Act, 1941. It is well known that the purpose of the Acts was to relieve the position of debtors whose difficulties have been caused by circumstances arising out of the war, but it is not always as clearly remembered that the relief is strictly temporary in its nature, that the Acts give no power to release the debtor from any debt or obligation he may have incurred, and that the whole scheme contemplates the expiry of the Acts at a date to be fixed by Order in Council.

Without the study of some such book as this, the extent and variety of the legislation is not appreciated. The Act and the Rules are set out in full with adequate comment and cross-referencing; and a full alphabetical index and index to cases facilitate reference. So far as we have had opportunity to test it, we have found Mr. Schless' book a clear guide to the intricacies of the Act, and a directory to practice. We commend it to all who have occasion to deal with this matter.

Regression Analysis of Production Costs and Factory Operations. By Philip Lyle (Oliver and Boyd, Ltd., Edinburgh and London. Price 15s. net.)

This is not only a new work, but it develops a new form of statistical analysis, which it is felt will be of value for the extraction of information not obtainable by ordinary accountancy methods.

The methods advocated have been in use, we are told, for the analysis of production costs in the sugar-refining

industry for some years, but it is regretted that the author has not provided a clear description or definition of the terms employed for the assistance of students who have not had the advantage of seeing these methods in practical operation. A good deal of mathematics is involved, but we are assured that knowledge up to School Certificate stage in this subject is sufficient, and credit is taken for the fact that the calculus is not mentioned.

"Regression" is defined in the dictionary as "the act of passing back or returning." The author offers no definition. Though his index under the heading, "Regression, meaning of," gives three references, on turning these up we are supplied with mathematically stated "regression equations," with tables and formulae but no definition or information as to the practical application of the values obtained; nor are we told how to apply the technique to the material available to accountants in order to obtain the information not obtainable by "ordinary accountancy methods."

No doubt the explanation lies in the fact that this is a new edition of a booklet printed for private circulation in the sugar refining industry, and its original users, being familiar with the technique, would see the significance of the methods set out and were presumably already acquainted with their application. For ourselves, if the author in his next edition would prefix a chapter explaining the idea and giving examples of the use to which his results are to be put, we should be grateful.

The War Damage Acts and the War Risks Insurance Act, 1939, Part II (Commodity Insurance Scheme). Second Edition. By G. Granville Slack, B.A., LL.M., Barrister-at-Law, and others. (Butterworth and Co. (Publishers), Ltd., London. Price £1 net.)

The success of the ambitious project which Mr. Slack set himself to accomplish in the first edition of this work is now beyond question, and it has led inevitably to the production of a second edition. It is an enormous task merely to transfer all the notes to the appropriate sections of the consolidating Act. Mr. Slack's work, however, achieves considerably more than that. It is, in effect, an encyclopædia of every war damage problem that can be anticipated in professional practice, giving undue emphasis neither to the purely legal nor to the purely administrative aspect.

The wealth of information provided is such that the indexes, full though they are, are occasionally inadequate. For instance, the well-known cases of *In re Jacobs' and Stedman's Contract* ((1942) Ch. 400), and *Re Watford Corporation's and Ware's Contract* ((1943) Ch. 82), as well as a recent County Court decision of His Honour Judge Gamon, all deal with a question on which fierce controversy previously raged in several professional journals, as to the non-apportionability of war damage contribution between the vendor and the purchaser of land, in the absence of the clearest indication to the contrary effect. The general index, under "Contributions, instalments of, apportionment of, on sale of property," refers to pp. 602-611. These pages contain Mr. W. J. Williams' valuable contribution on Forms and Precedents. The case index, however, under *In re Jacobs' and Stedman's Contract*, rightly gives the two other references where

the cases are properly annotated under Sections 36 and 66. Cross-references are clearly needed.

One of the most valuable of the new features of the second edition is the long and detailed note to Section 7 of the Consolidation Act, dealing with the tests applicable to determine whether a cost of works or a value payment is appropriate. Article D is a new article by Mr. Slack dealing with the proposals in respect of war damage to public utility undertakings, and setting out the White Paper on this subject in full (Cmd. 6403). Article F is a 45-page article by Mr. Alan D. Daly, Chartered Surveyor, on Insurance Practice under the War Damage Act, 1943, Part II, and the War Risks Insurance Act, 1939, Part II. One of its most useful features is a list of some 27 Board of Trade rulings deciding what goods are insurable, and by whom.

There are abundant practical illustrations and specimen calculations; the very full illustrations under Section 48, dealing with indemnities against contributions as between landlords and tenants, afford a good example. As an indication of the author's independence of judgment, it is to be noted that at p. 135 in a note to the proviso to Section 7 (2) (hereditaments . . . not normally the subject of sales in the open market), he says: "Thus a house owned by a local authority may not usually be sold, but houses of that size and type frequently are sold, so that the Regulations (War Damage (Valuation of Hereditaments in Special Cases) Regulations, 1942) do not apply to such houses." On November 18, 1943, the Chairman of the War Damage Commission said, in an address to the Law Society, that a good example of this class was a local authority house, and this would fall within the class, although an odd one was occasionally sold in the open market. There is much to be said for both views.

This is without doubt a great work in more than one sense, and to specialists and others it has been, and will continue to be, indispensable.

The War Damage Act, 1943. Edited by the Rt. Hon. Lord Meston, Barrister-at-Law. (Sweet and Maxwell, Ltd., and Stevens and Sons, Ltd., London. Price £1 net.)

The scope of Lord Meston's work is more limited than that of Mr. Slack; it is confined to the War Damage Act, 1943, and the Statutory Rules and Orders made under it. Nevertheless, it is a solid achievement, and shows the sure touch of the expert lawyer. The introductory note is distinguished by its clarity, and considering the ground covered, by its brevity. In 32 pages it summarises the provisions of the Act and the Orders and Regulations, and contains a list of forms issued to the public, and some practical examples.

The emphasis in this volume is definitely on the legal problems involved. It would be difficult to improve on the statements as to the non-apportionability of war damage contribution (in the absence of clear express provision) on a sale of land, in the notes to Section 45 and Section 66, and the decision of Farwell, J., in *In re Jacobs' and Steadman's Contract* ((1942) Ch. 400) with regard to the word "outgoings" in the Law Society's Conditions of Sale. There is no case index, but the general index makes excellent amends for this. The notes to the separate sections show a thorough understanding of the purpose of the Act, and the manner in which it is sought to achieve its purpose; they are full and comprehensive. For completeness and clarity, to legal and non-legal reader alike, the notes to the

Second Schedule may be singled out as a model. Here will be found elucidations of those complex and essentially accountancy problems arising out of the nature and terms of the sale to be assumed on valuation for determining whether there is total loss. The fullest explanation is given of such *arcana* as restrictive covenants, easements, quasi-easements, right of common, statutory restrictions, and other matters to be taken into account on the hypothetical sale, and copious examples are given.

What criticism is possible of this admirable work is necessarily confined to matters of detail. The slight reference to ROD 1 in the index and the text of the Introduction (vii) is, one cannot help feeling, inadequate to express the importance of the Commission's new procedure for agreeing in advance the amount of cost of works estimated at £250 and over by an official survey, to obviate the many cases of dispute that used to arise owing to claimants accepting the receipt of Form C2 (the claim form) from the Commission as a definite mandate to get on with the work. The present temporary limitation on the amount of work that can be done without a licence does not render this question academic, as when more labour and materials are available, the procedure will assume increasing importance; in any case, it is still important in relation to the restoration of dwelling accommodation. A note under Section 8 would meet the case. It might be clearer that the words "or other person" in the interpretation Section 123 are to be construed *eiusdem generis* with "architect, engineer, surveyor, land agent" preceding them, so that the cost of the necessary employment of an accountant or a solicitor, for example, cannot be treated as a recoverable part of the cost of works. Finally, in the notes there should be some indication of the contents of the "Practice Notes" of the War Damage Commission, so important because they indicate the lines on which the Commission makes its quasi-judicial determinations. The necessary references are there, e.g., under Section 23 (consent to assignments of right to receive payments), under Section 103 (definition of land), and Section 8 (amount of cost of works), but some indication should be given of what the Practice Notes say about these matters, and why this is important, viz., because there is no appeal from the Commission's quasi-judicial ruling on the amount of a cost of works except on a point of law. These criticisms are, however, minor when one considers the success and distinction with which the author has accomplished his work. It may safely be predicted that it will be found useful by all professional persons who, for practical reasons, want to acquire not only a working knowledge of the Act and Rules and Orders, but also a handy work of reference.

BOOKS RECEIVED

Commerce. By F. J. Wright, M.Sc. (Econ.). Volume I. An Introduction to Commerce. (English Universities Press, Ltd., London. Price 7s. 6d. net.)

Introduction to Economics. By Alec Cairncross, Ph.D. (Butterworth & Co. (Publishers), Ltd., London. Price 12s. 6d. net.)

Burke's Loose-Leaf War Legislation: Courts Emergency Powers Practice. By Robert Schless. (Hamish Hamilton (Law Books), Ltd., London. Price 15s., net, obtainable separately.)

LAW**Legal Notes****EXECUTORSHIP LAW AND TRUSTS**

Charities—Bequest to the "Common Good Fund of the Leven Town Council"—Valid gift.

In *Re Baynes* (1944, 2 All E.R., 597), Vaisey, J., decided a curious point relating to the law of charitable gifts. It involved consideration of the ancient Scottish institution known as the "Common Good" of a borough. The testator made his will in 1938 and appointed the Public Trustee to be the executor and trustee thereof. After leaving various legacies, he devised and bequeathed his residuary estate to the trustee, with a trust to divide it in equal shares among ten named beneficiaries, nine of which were clearly charities. This action related to the tenth beneficiary, described in the will as "the Common Good Fund of the Leven Town Council, Leven, Fife." It was contended that this gift constituted an endowment fund and was void for perpetuity; further, that it was void for uncertainty, because the town council was bound neither to devote the funds to charitable purposes nor to an ascertainable class of persons. Evidence was given that such a fund is of great antiquity, partly regulated by statutes, including the Town

Councils (Scotland) Act, 1900. It is a fund, or collection of properties, or an asset, held under the control of the municipal authorities of the borough in question, for the benefit of the borough or of its inhabitants. The town clerk gave evidence that payments could be made from the corpus of a Common Good Fund, although in practice they seldom were. In theory the whole of the capital was available for expenditure, so that its existence could be destroyed. Therefore, on the whole of the evidence, Vaisey, J., held that such a fund did not involve an illegal perpetuity under English law.

There was also the question whether a Common Good Fund was charitable. Vaisey, J., expressed the view that the law on charities in England is in a state of very great confusion; particularly on what are proper charities when they are gifts for public purposes or for the benefit of a particular class.

Vaisey, J., declared, in answer to the first question on the summons, that upon the true construction of the will, the bequest was a valid gift. He preferred the words "valid gift," rather than "valid charitable gift." It was for the benefit of a particular class and for a charitable purpose.

Society of Incorporated Accountants**COUNCIL MEETING**

A Meeting of the Council was held on Thursday, January 25, 1945, when there were present: Mr. Richard A. Witty (President), Mr. Fred Woolley, J.P. (Vice-President), Mr. A. Stuart Allen, Mr. R. Wilson Bartlett, J.P., Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. W. Norman Bubb, Mr. E. Cassleton Elliott, Mr. C. A. G. Hewson, Mr. Walter Holman, Mr. Bertram Nelson, Mr. T. Harold Platts, Mr. R. E. Starkie, Mr. Joseph Turner, Mr. A. A. Garrett (Secretary) and Brigadier O. H. Tidbury (Assistant Secretary).

POST-WAR COMMITTEE

A report was received from the Committee concerning the organisation of a short post-war course or courses for members of the Society now serving with H.M. Forces.

The Chairman of the Committee afforded information in regard to the report of Lord Hankey's Committee on the constitution and operation of the proposed Appointments Department of the Ministry of Labour and National Service which will deal with higher appointments in the professions and industry; he also intimated the proposed scheme of grants by the Ministry to Service men and women for further training and education.

LONDON CHAMBER OF COMMERCE

The Council appointed Mr. Edward Baldry, F.S.A.A., as the representative of the Society on the Council of the London Chamber of Commerce.

SERVICES PRELIMINARY EXAMINATION

The Council approved that those serving with H.M. Forces who pass the Services Preliminary Examination, which is being organised by the Education Departments of the Services, may apply for exemption from the Society's Preliminary Examination.

RESIGNATIONS

The following resignations were accepted, with regret, with effect from December 31, 1944:—

Kiernan, B. (Associate), Manchester.

Shaw, Frederick (Fellow), London.

Whitehead, Stanley (Associate), London.

DEATHS

The Secretary reported the death of each of the following members:—

BROWN, WILLIAM ERNEST HONEYMAN (Fellow), Birmingham.

CROZIER, JOHN GEORGE (Associate), Manchester.
DAVIES, OSMAN WOODWARD (Fellow), Kidderminster.
FORTUNE, GEORGE WILLIAM (Fellow), Edinburgh.
HOLGATE, WILLIAM JOHN (Associate), Liverpool.
JEBSON, JOSEPH WILLIAM (Associate), Grimsby.
LARCOMBE, JAMES PAUL (Fellow), Sydney, N.S.W., Australia.

LASHMORE, CHARLES SAMUEL (Fellow), Cardiff.
LOVEDAY, REGINALD ERNEST (Associate), London.
PAUL, FREDERICK (Fellow), London.
PLATEL, FRANCIS VITTERY, G.M. (Associate), Shrewsbury (in a Prisoner of War Camp).

RAWLINSON, WALTER REGINALD (Fellow), Belfast.
ROBERTS, SAMUEL HERBERT (Fellow), Plymouth.
SCHISKIN, VICTOR (Associate), London (by enemy action).
SINFIELD, EDWARD (Associate), Birmingham.
WATSON, JOHN RICHARD (Associate), Bradford.
WILKINSON, HARRY (Associate), Leeds (on active service).
WIXCEY, WILLIAM THOMAS (Associate), London.
WOLSTENHOLME, ERNEST JAMES (Fellow), Rochdale.

RESULTS OF EXAMINATIONS IN SOUTH AFRICA

AUGUST, 1944

Passed in Final

BRITAIN, KENNETH HAMILTON, Clerk to Douglas Low & Co., Aegis Buildings, Loveday Street, Johannesburg.
COWIE, REGINALD VICTOR, Clerk to S. R. Barnes & Taylor, Somerset House, Vermulen Street, Pretoria.
HOOPER, ALAN WILLIAM, Clerk to Gerald Hadfield (Douglas Low & Co.), Aegis Buildings, Loveday Street, Johannesburg.
HOOPER, RAYMOND HERBERT, Clerk to Shaffer, Poulton & Co., Southern Life Buildings, Johannesburg.
JACKSON, SYDNEY MOFFITT, Clerk to J. R. Winearls (Gibson, Hyslop & Co.), Reserve Bank Chambers, Cape Town.
WALKER, RONALD (Arthur Hopewell & Co.), 6-10, Alcock House, 364, West Street, Durban. Practising Accountant.
WILSON, STANLEY JOHN, Clerk to Savary & Dickinson, 708, Mutual Buildings, Harrison Street, Johannesburg.
(4 Candidates failed to satisfy the Examiners.)

Passed in Intermediate

EVANS, HAMILTON THOMAS WRIXON, Clerk to Alex Aiken & Carter, National Bank Buildings, Simmonds Street, Johannesburg.
(1 Candidate failed to satisfy the Examiners.)

MEMBERSHIP

The following promotions in and additions to the membership of the Society have been completed:—

ASSOCIATES TO FELLOWS

Addy, Herbert Edward Alexander (Muir & Addy), Belfast, Practising Accountant; Aitchison, John, Rutherglen, Practising Accountant; Alder, Wilfred Reginald Ernest, City Treasurer, Gloucester; Anderson, Roy Dick (Hemphill, Anderson & Co.), Johannesburg, Practising Accountant; Bartfield, Isaac (Bartfield & Co.), Leeds, Practising Accountant; Bartfield, Sam (Bartfield & Co.), Leeds, Practising Accountant; Batty, Ivor Ernest (Lucian J. Brown & Notley), Newport, Mon., Practising Accountant; Beaumont, Frank Cecil (Holmes & Beaumont), Pontefract, Practising Accountant; Black, Arthur Noel, Johannesburg, Practising Accountant; Bresnan, Edward Gerard, Liverpool, Practising Accountant; Bromley, Robert (T. E. Lowe & Co.), Wolverhampton, Practising Accountant; Clark, George Reginald, County Accountant, March; Cross, Ronald Thomas Walter, (Ronald Cross, Lake and Co.), Swansea, Practising Accountant; Curritz, David, Cardiff, Practising Accountant; Day, Harold John Terrett, M.A. (Peat, Marwick, Mitchell & Co.), Birmingham, Practising Accountant; Divan, Ramanlal Chandulal, B. Com. (Chandabhooy & Jassobhooy), Bombay, Practising Accountant; Downs, Norman Turner, Kingsbridge, Practising Accountant; Dougan, Dennis Leslie, Bournemouth, Practising Accountant; Draper, Norman Mitchell (John Draper & Son), Bradford, Practising Accountant; Ewan, Robert Wilson (C. Neville Russell & Co.), London, Practising Accountant; Fetzer, L. George, Newcastle, Staffs., Practising Accountant; Frank, Solly, Cape Town, Practising Accountant; Free, Leonard William (Rickard & Co.), London, Practising Accountant; Freeman, Joseph Dominic (H. O. Bennett & Co.), Norwich, Practising Accountant; Godfrey, Edward, Borough Treasurer of Ilkeston; Gray, George William Alexander (Wm. H. Jack & Co.), London, Practising Accountant; Gregory, Howard Percival (Arthur B. Watts, Gregory & Co.), Cardiff, Practising Accountant; Griffiths, Norman (E. B. Griffiths & Co.), Southport, Practising Accountant; Hollows, Robert (Hollows and Hesketh), Wigan, Practising Accountant; Horton, Geoffrey (Tyler & Wheatcroft), Birmingham, Practising Accountant; Hough, Joseph William, Borough Treasurer, Islington; Hughes, Mark Talbot, County Treasurer of West Sussex; Hunt, George William (Angus Scott & Co.), London, Practising Accountant; Hussey, Albert Victor (Albert V. Hussey & Co.), London, Practising Accountant; Jackson, John Edward, Milnthorpe, Westmorland, Practising Accountant; Johnson, Thomas Reginald, Borough Treasurer of Huddersfield; Jones, Leonard John Dennis (Rickard & Co.), London, Practising Accountant; Lange, Stella Grace (Homersham & Co.), London, Practising Accountant; Leake, Tom (Holmes & Turner), Wigan, Practising Accountant; Leaver, Harry (Leaver, Cole & Co.), London, Practising Accountant; Liggett, Malcolm, Manchester, Practising Accountant; Mawson, James Richard Verna (John J. Potter & Co.), Sutton Coldfield, Practising Accountant; Neason, Harold Alfred, Borough Treasurer, Folkestone; Newth, John Stanford (C. Neville Russell and Co.), London, Practising Accountant; Pannell, Charles Henry, Borough Treasurer of Hornsey; Pearce, Morley Francis, Bristol, Practising Accountant; Phillips, Bernard (Percy Phillips & Co.), London, Practising Accountant; Prager, Leslie Israel (Lovegrove Prager & Co.), London, Practising Accountant; Prescott, William Bowen Webb (Phelan & Prescott), Newry, Practising Accountant; Prestwich, Harold James, Blackpool, Practising Accountant; Rawlinson, Denis James, Peterborough, Practising Accountant; Reedhouse, Jack (T. Harold Platts & Co.), Birmingham, Practising Accountant; Rodda, William Ian Jesse Trudgeon (Richard Leyshon & Co.), Cardiff, Practising

Accountant; Rose, Herbert Charles, London, Practising Accountant; Rowe, Harry Masterman (W. Nicklin & Co.), Manchester, Practising Accountant; Sharman, Bernard Frederic (Sharman & Armonson), Leicester, Practising Accountant; Shaw, Alexander Morrison (Alex. M. Shaw and Co.), Glasgow, Practising Accountant; Shepherd, Christopher John, Manchester, Practising Accountant; Sinkinson, Benjamin Rigg, City Treasurer, Bradford; Smith, Henry Francis (Edward S. Goulding & Co.), Liverpool, Practising Accountant; Spoors, John Elliott (Seddon, Magnay & Spoors), Newcastle-on-Tyne, Practising Accountant; Sturt, Cecil John, Principal Accountant, Contracts Dept., G.P.O.; Thirsk, Colin (Ransom, Harrison & Lewis), Sheffield, Practising Accountant; Thomas, Clement Evans (Rhodes, Stringer & Co.), Bradford, Practising Accountant; Thompson, Alan Ralph, City Treasurer, Portsmouth; Toft, Edward Oswald (Donald H. Bates & Co.), Stoke-on-Trent, Practising Accountant; Wackrill, Eric Dunbar (Wackrill & Anderson), Johannesburg, Practising Accountant; Watson, Alec John Horace (Townsend, Watson & Stone), London, Practising Accountant; Weavers, Thomas George, London, Practising Accountant; Williams, Frederick James, County Treasurer of Somerset; Wishart, James Walkinshaw (Wm. H. Jack & Co.), London, Practising Accountant; Wormald, William Henry, County Accountant, Lindsey County Council; Wrigley, George Arthur (Rhodes, Stringer & Co.), Bradford, Practising Accountant.

FELLOWS

Sheedy, Edward Henry (E. P. M. Sheedy & Son), Sydney, Practising Accountant; Stirling, Samuel Ernest Arthur (Priestley & Morris), Sydney, Practising Accountant; Stitt, Harrie Hamilton (Priestley & Morris), Sydney, Practising Accountant.

ASSOCIATES

Ashley, Leonard Arthur, London; Ayling, William Walter, Margate; Banfield, Hubert Thomas, New Malden; Barnard, Arthur James, B.A., Wellingborough; Barrett, Harry Joseph, Portsmouth; Barter, Geoffrey Terence, Coleford; Bassham, Wilfred Ernest, Walsall; Bennett, Alfred Maurice, Johannesburg; Benstead, Thomas David Randall, Middlesbrough, Practising Accountant; Bodsworth, Charles Walter, Sheffield; Browning, Margaret Ruth, Hove; Byles, Douglas Roussel, London; Clode, Stanley James, London; Codd, Herbert Alan, Johannesburg; Cooney, Joseph Laurence, Dublin; Cooper, Francis George Arthur (Larking, Larking & Whiting), Wisbech, Practising Accountant; Cowley, Raymond John, Salford; Dean, Audrey Devereux, Southport; Dempsey, James Aloysius, Dublin; Dent, Arthur, Stockport; Donald, Gordon Alexander, London; Duxbury, Alan Holt, Stalybridge; Ellis, John Desmond Marsden, Wakefield; Eyles, John Henry, Wembley; Forester, Thomas Geoffrey, London; Gallon, Geoffrey, Newcastle-on-Tyne; Goldman, Hyman Jacob, Glasgow; Hedley, Raymond Percival, London; Henisch, Karl, London; Hewitt, Norman, Willenhall; Hill, Donald James, London; Homeshaw, Alan Harry, Birmingham; Houghton, Harold, Stockport, Practising Accountant; Isacke, Jeffery Wyatt, Birmingham; Judd, George Francis, Johannesburg, Practising Accountant; Kay, John Winder, Darwen; Kear, Herbert Thomas Britton, Cardiff; Lind, George Ogilvie, London; Loker, Horace, Feltham, Practising Accountant; McCay, Henry, Londonderry; Parker, Harry Mewes, Johannesburg; Phillips, George Stephen, London; Rufus, Ernest Edward William, London; Sandal, Alan Bertram (Larking, Larking & Whiting), Wisbech, Practising Accountant; Shell, James Henry, Enniscorthy; Shlach, Gordon, Carlisle; Smart, Norman Stanley, Birmingham; Smith, Douglas Niemann Lamont (Deloitte, Plender, Griffiths, Annan & Co.), Johannesburg, Practising Accountant; Stephens, William Henry, Gillingham, Kent; Sutherland, William Allan, Brighton; Thomas, Gordon Glyn, Cardiff; Thompson, Kenneth Claude, Stockport; Vessey, Ronald, Sheffield; Walker, David, Leicester; Walton, Thomas, Ripon; Warburton, Ernest, Altrincham; Warren, Arthur Frederick, Newton Abbot; Wicken,

Frederick Henry, Maidstone; Wilkinson, Cyril John Freeman, London; Wood, William, Scunthorpe; Worthington, John Frederick, Southport; Wrightson, Larard Snowden, Hull; Yates, Sydney, Folkestone.

LONDON STUDENTS' SOCIETY

Syllabus of Meetings

1945.

February 27, at 4.30 p.m. "Indemnity in Insurance." By Mr. George W. Green, F.F.L.A., A.C.I.I. Chairman, Mr. D. Mahony (President).

March 27, at 4.15 p.m. Annual General Meeting.

March 27, at 4.30 p.m. "The Principles of Trade." By Mr. S. W. Alexander, City Editor, *Evening Standard*. Chairman, Mr. George Ormsby, London Editor, *Wall Street Journal*.

April 24. "Points on Company Law." By Mr. Sebag Shaw, Barrister-at-Law. Chairman, Mr. A. V. Hussey (Vice-President).

The meetings will be held in the Council Room of the Law Society Hall (Bell Yard Entrance), Chancery Lane, London, W.C. (by kind permission of the Council of the Law Society).

DISTRICT SOCIETIES

BRADFORD

A meeting will be held at the Liberal Club, Bradford, on February 20 at 6.30 p.m. Mr. F. Sewell Bray, F.C.A., F.S.A.A., will give an informal talk on "Design of Accounts," to be followed by a discussion.

Members of the Yorkshire District Society and Bradford members of the Institute of Chartered Accountants are invited to this meeting.

SHEFFIELD

The annual meeting of the Sheffield Society was held on December 15, 1944. Mr. C. S. Garraway, F.S.A.A., presided in the enforced absence of Mr. A. F. J. Girling, President.

The following officers were elected: President, Mr. A. F. J. Girling; Vice-President, Mr. C. S. Garraway; Honorary Secretary and Treasurer, Mr. J. W. Richardson; Honorary Librarian, Mr. H. G. Toothill; Honorary Auditor, Mr. Arnold Graves. The members of the Committee were re-elected.

Mr. Percy Toothill, F.S.A.A., addressed the meeting in connection with the proposed scheme for refresher courses for members at present serving with H.M. Forces, to enable them to become conversant with the many Acts of Parliament in connection with the various professional duties.

It was reported that the four lunchtime meetings, which had been held in the last year, had been very successful, and it was proposed to arrange further meetings.

PERSONAL NOTES

Mr. George Eccles, A.S.A.A., Deputy Borough Treasurer of Birkenhead, has been appointed Borough Treasurer.

Messrs. Howard Smith, Thompson & Co., Chartered Accountants, have admitted to partnership Mr. Norman Gerald Lancaster, M.B.E., A.C.A.

Mr. A. E. Pugh, F.S.A.A., has been elected an Alderman of the borough of Newport, Mon. He has been a member of the council since 1928. Mr. F. M. Forster, F.S.A.A., a partner in Messrs. Walter Hunter, Bartlett, Thomas & Co., has been co-opted as a councillor to fill the vacancy caused by the elevation of Alderman Pugh.

Mr. W. L. Dale, A.S.A.A., has been appointed Chairman of the Country Roads Board, which controls all main roads in the State of Victoria. Mr. Dale has been a member of the Board since 1929, and was previously secretary from 1913. He is a member of the Committee of the Victorian Branch of the Society of Incorporated Accountants.

Mr. C. Yates Lloyd, F.S.A.A., and Mr. Halvor Piggott, F.S.A.A., announce that their practices have been combined. They are now practising in partnership under the firm name of Lloyd, Piggott & Co., Incorporated Accountants, at 2, Cooper Street, Manchester.

Messrs. Robert Gair & Son, Emerson Chambers, Blackett Street, Newcastle-upon-Tyne, announce that Mr. Robert Gair, Incorporated Accountant, has retired from the firm. The practice is being continued by Mr. R. Kenneth Gair, Certified Accountant, under the firm name of Robert Gair & Son, Certified Accountants.

Mr. Albert Loveridge and Mr. Joseph Moore have amalgamated their practices and are now practising at 40, Hoghton Street, Southport, under the style of Loveridge & Moore, Incorporated Accountants.

Mr. C. E. Thurlow, A.C.A., A.S.A.A., has been admitted a partner of Messrs. Evans, Smith, Boothroyd & Co., 97, Fenchurch Street, London, E.C.3.

THE SOCIETY'S EXAMINATIONS

The next examinations of the Society of Incorporated Accountants will be held on Wednesday, Thursday and Friday, August 1, 2 and 3, 1945. The centres will again be at Taunton School, Somerset (by kind permission of the Governors and Headmaster), and at Manchester, Leeds, Glasgow, Dublin and Belfast.

Completed applications, together with the fee, should be forwarded as soon as possible. The last date on which applications will be accepted is Tuesday, May 22, 1945.

OBITUARY

FRANCIS VITTEY PLATEL

Major F. V. Platel, G.M., A.S.A.A., died on November 23, 1944, in a German prison camp. Major Platel was 34 years of age. He became a member of the Society in 1931, after the completion of his articles with Mr. George O. Harrison, Incorporated Accountant, Shrewsbury, and later became secretary to Trouncer & Co., Ltd., in that town. In October, 1939, he obtained a commission in the R.A.O.C., serving in France and later in the Middle East. He was taken prisoner in Greece in April, 1941, when as commanding officer he was in the last lorry of his unit—the only one which was captured—during the retreat. He was awarded the George Medal for gallantry not long before his capture.

GEORGE WILLIAM FORTUNE

We regret to report that Mr. George William Fortune, F.S.A.A., Edinburgh, died recently in Greenock after one day's illness. Mr. Fortune, besides carrying on a professional practice as an Incorporated Accountant, also acted as manager of the People's Bank, Ltd., Edinburgh, for over 41 years, until the Bank was acquired by the Scottish Co-operative Wholesale Society in 1943. He was also closely connected with the Edinburgh Co-operative Printing Company, Ltd. (known as the Darien Press), of which he had been a director since 1906, and chairman since 1922. Mr. Fortune was a keen Freemason and one of the oldest members of Lodge No. 2 (Cannongate Kilwinning), Edinburgh. He became a member of the Society in 1916 and in earlier years, at the request of the Secretary of the Scottish Branch, took a practical interest in the tuition of candidates for the Society's examinations. He was also the joint author of a book on company law with Mr. D. R. Matheson, LL.B., Edinburgh. Mr. Fortune was 66 years of age.

CHARLES SAMUEL LASHMORE

We record with regret the death of Mr. C. S. Lashmore, F.S.A.A., senior partner of Messrs. C. S. Lashmore & Co., Incorporated Accountants, Cardiff. Mr. Lashmore was admitted a member of the Society in 1920. He was for many years a very active member of the South Wales and Monmouthshire District Society, and was one of its Honorary Auditors. In addition, he was a Past President and for many years Honorary Secretary of the South Wales and Monmouthshire Branch of the Incorporated Secretaries' Association, and was subsequently appointed to the Council of the Chartered Institute of Secretaries.

WALTER REGINALD RAWLINSON

We have received with regret intimation of the death on December 31 of Mr. W. R. Rawlinson, F.S.A.A., Belfast. Mr. Rawlinson was 68 years of age. He became a member of the Society in 1920, and was admitted a partner in Messrs. H. B. Brandon & Co. after some years in the firm's service. The firm of Rawlinson, Allen & White, Incorporated Accountants, was founded in 1923.

Mr. Rawlinson was a prominent Freemason, being a Prince Mason and Provincial Grand Treasurer of Antrim.